Minimize the Pain:

Principles for Ensuring Climate Policy Assists Low- and Moderate-Income Americans in Meeting Their Basic Needs[1]

The United States can reduce greenhouse gas emissions and combat climate change without increasing poverty or otherwise harming low- and moderate-income households. To achieve that goal, climate change legislation should include measures to protect low- and moderate-income consumers, with consumer assistance offsetting increases in households' various energy-related expenses, not just in their utility bills. Such consumer relief should be designed so it operates through proven delivery mechanisms and does not undercut incentives to conserve.

Efficient, effective policies to reduce greenhouse gas emissions work in part by putting a price on those emissions, thereby ending the free use of the atmosphere to dispose of pollution. This raises prices for fossil-fuel energy products. The higher prices operate as a market signal that encourages investment in energy efficiency and development of cleaner sources of energy.

Higher energy prices most affect households with limited incomes. They spend a larger share of their budgets on basic necessities like energy than better-off households do. They are also less able to afford investments that can reduce their energy demand, such as a more efficient car or a new heating and cooling system.

As legislation moves forward, the Climate Equity Alliance commends the House of Representatives for advancing comprehensive climate and clean energy policy in the United States. We remain committed to providing direct assistance to those most in need, and call upon the Senate to follow the House's lead in committing to holding low-income households harmless. We recommend consumer payments — essentially, energy refunds — that effectively reach low- and moderate-income households as prices for food, gas, home energy, and other necessities rise. Energy efficiency measures must also be included.

Specifically, we call for the following:

1. Ensure that low-income consumers are fully protected from the impact of higher energy prices:

- Maintain the House provisions that use Electronic Benefit Transfer (EBT) system as the principal vehicle for providing direct and timely energy refunds in order to ensure that this relief has broad reach, and set the relief at a level that minimizes the number of low-income families that suffer losses;

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[1] These recommendations are a product of the Climate Equity Alliance. A list of endorsing organizations and more information about the Alliance can be found at http://www.greenforall.org/what-we-do/working-with-washington/climate-equity. An organization's endorsement of the Climate Equity Alliance's principles does not necessarily mean endorsement of each one of the specific proposals detailed in this document.

- Maintain the House provision that provides relief via a refundable tax credit for low-income workers without children, who are much less likely to be reached through the EBT system.

2. **Provide an appropriate allocation to the Low-Income Home Energy Assistance Program (LIHEAP) to help low-income families facing especially large home energy price increases.**

   The House bill fully protects low-income households (those with incomes up to 150 percent of the poverty line, or about $33,000 for a family of four in 2009) as a group by providing those households with a standard energy refund that is adjusted for household size.

   Some low-income families will face significantly higher costs than they are compensated for through the consumer relief provided under the House bill. In particular, some individuals who rent poorly-insulated apartments (or own poorly insulated homes) or have older, less efficient appliances will be less than fully compensated by the bill's consumer relief provisions. Some of these households could have increased difficulty making ends meet, even with the vital consumer assistance the bill provides. LIHEAP can provide an important supplement to this direct relief by filling gaps and cracks in the bill for these particularly needy families.

3. **Add language to the bill to ensure that relief that is intended to go to residential consumers through utility companies actually does so.**

   The House bill provides allocations to utility companies with the stated goal of reducing the burden on energy consumers of price increases that will result from a cap-and-trade program. The Senate should include explicit language requiring that savings intended for residential customers are, in fact, passed along to them.

4. **When allocating funding provided in the American Clean Energy and Security Act (ACES) for improving resilience to climate change, prioritize the needs of vulnerable communities, including low-income communities and communities of color, that are at risk of substantial adverse impacts and have limited capacity to respond to such impacts.**

   These factors influence a community's ability to adequately prepare for, respond to, and recover from a natural disaster. Socially vulnerable communities do not typically have adequate resources to evacuate to safety in advance of a natural disaster, such as a storm or flood, or to rebuild in its aftermath. Because climate change tends to generate weather events that disproportionately impact the most vulnerable members of our population, adaptation plans should recognize the particular needs of these people, and funding should be targeted to assist these communities.

5. **Scale back the portions of the bill that would result in windfalls to corporations and businesses — particularly for commercial and industrial customers of local distribution companies (LDCs) relief— with the proceeds used to strengthen the low-income relief, extend direct consumer relief to moderate-income households, help communities in the United States and abroad adapt to the impacts of climate change, and address other critical environmental equity concerns.**

   A substantial share of the resources going to utilities to provide their customers relief from higher energy prices would instead go to business profits. Analyses by the Congressional Budget Office, Resources for the Future, and the Center on Budget and Policy Priorities have all found that the resources provided through LDCs in the form of lower utility bills for businesses could well be retained as profits by those firms rather than passed through to the firms' customers. Moreover, CBO's distributional analyses found that such extra profits would primarily benefit the high-income households who own or hold stock in the firms. As a result, CBO found, upper-income families would fare better than middle-income families under the House bill. By reducing allocations to utilities for their business customers, the Senate could free up funds both to expand direct relief to consumers and to pay for other environmental and climate equity priorities.